



Sean Rogan
Executive Director

**HOUSING AUTHORITY
of the County of Los Angeles**

700 W. Main Street • Alhambra, CA 91801

Tel: 626.262.4510 • TDD: 855.892.6095 • www.hacola.org

Hilda L. Solis
Mark Ridley-Thomas
Sheila Kuehl
Don Knabe
Michael D. Antonovich
Commissioners

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

May 10, 2016

The Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

1-H May 10, 2016

LORI GLASGOW
EXECUTIVE OFFICER

Dear Commissioners:

**ADOPT RESOLUTION DECLARING INTENT TO ISSUE MULTI FAMILY HOUSING MORTGAGE
REVENUE BONDS FOR MULTIFAMILY HOUSING IN UNINCORPORATED LENNOX AND
UNINCORPORATED SOUTH WHITTIER
(DISTRICTS 2, 4) (3 VOTE)**

SUBJECT

This letter requests that your Board adopt a Resolution declaring the intent to issue Multifamily Housing Mortgage Revenue Bonds to finance the acquisition and rehabilitation of Sun Sage Homes, which consists of two existing developments: Osage Apartments, a 21-unit multifamily rental housing development located in unincorporated Lennox; and Sunshine Terrace Apartments, a 50-unit multifamily rental housing development located in unincorporated South Whittier.

IT IS RECOMMENDED THAT THE BOARD:

1. Adopt and instruct the Chair to sign a Resolution, as required under Treasury Regulations, declaring an intent by Sun Sage Homes, L.P., (Developer) a California Limited Partnership, to undertake bond financing in an amount not to exceed \$9,450,000 to finance the acquisition and rehabilitation of two existing multifamily rental housing developments: Osage Apartments, a 21-unit multifamily rental housing development located in unincorporated Lennox; and Sunshine Terrace Apartments, a 50-unit multifamily rental housing development located in unincorporated South Whittier.
2. Authorize the Executive Director to submit an application to the California Debt Limit Allocation Committee (CDLAC) for a private activity bond allocation in an aggregate amount not to exceed \$9,450,000 for the purposes described herein.

3. Find that adoption of this Resolution is not subject to the provisions of the California Environmental Quality Act (CEQA) because the action will not have the potential for causing a significant effect on the environment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this action is to approve the issuance of Multifamily Housing Mortgage Revenue Bonds in an aggregate amount not to exceed \$9,450,000, and to authorize the Executive Director of the Housing Authority to apply to CDLAC for a private activity bond allocation in the same amount, in order to finance the acquisition and rehabilitation of Sun Sage Homes.

FISCAL IMPACT/FINANCING

There is no impact on the County general fund. The bonds will be repaid solely through rent revenues collected by the Developer. The Developer will pay all fees and related costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In 1991, the Community Development Commission (CDC) provided Community Development Block Grant (CDBG) funding in the amount of \$575,000 for the acquisition and construction of Osage Apartments, an affordable 21-unit multifamily property located at 11128 South Osage Avenue in unincorporated Lennox.

As a result of the resyndication, seven units will be reserved for households with incomes that do not exceed 35% of the Area Median Income (AMI), one unit will be reserved for households with incomes that do not exceed 40% of the AMI, six units will be reserved for households with incomes that do not exceed 50% AMI and six units will be reserved for households with incomes that do not exceed 60% AMI, for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development (HUD). The manager's unit will not have affordability requirements.

In 1997, the CDC provided a HOME loan in the amount of \$2,064,310 and a CDBG loan for \$1,391,079 for the acquisition and construction of Sunshine Terrace Apartments, an affordable 50-unit multifamily property located at 10800 Laurel Avenue in unincorporated South Whittier.

As a result of the resyndication, twenty units will be reserved for households with incomes that do not exceed 35% of the (AMI), 10 units will be reserved for households with incomes that do not exceed 40% of AMI and 19 units will be reserved for households with incomes that do not exceed 50%. The manager's unit will not have affordability requirements.

Abode Communities, a non-profit developer and current owner, submitted a proposal for a scattered site resyndication of Osage Apartments and Sunshine Terrace Apartments. The proposed financial transaction and restructuring of ownership will result in the consolidation of both projects under a new partnership called Sun Sage Homes, L.P. Sun Sage Homes, L.P. will consist of Sun Sage Homes, LLC as the Managing General Partner of which Abode Communities Housing will be the sole member, and a Limited Partner/investor.

The proceeds from the resyndication and the issuance of Multifamily Housing Mortgage Revenue Bonds will be used for the substantial rehabilitation of the apartments, which will result in an

extension of the useful life of the buildings and an extension of the affordability term from 2037 to 2071.

Adoption of the Resolution by your Board announcing the intent to issue Multifamily Housing Mortgage Revenue Bonds is required to establish a base date after which costs incurred by the Developer may be included in the construction and permanent financing obtained pursuant to issuance of the tax-exempt bonds. The Resolution is also required to complete the Housing Authority's application to CDLAC.

The attached Resolution was prepared by Kutak Rock, Housing Authority Bond Counsel, and approved as to form by County Counsel. On April 27, 2016, the Housing Commission recommended approval of the proposed action.

ENVIRONMENTAL DOCUMENTATION

The action is not a project pursuant to the California Environmental Quality Act (CEQA) because it is an activity that is excluded from the definition of a project by Section 15378 (b) of the State CEQA guidelines. The proposed action is an administrative activity of government, which will not result in direct or indirect physical change to the environment.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed action is a necessary step to provide bond financing to Sun Sage Homes, L.P. to preserve the supply of affordable multifamily housing in the County with long-term affordability.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN

Executive Director

SR:jwr

Enclosures

RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING
AUTHORITY OF THE COUNTY OF LOS ANGELES OFFICIAL
DECLARATION OF INTENT TO UNDERTAKE THE FINANCING OF A
MULTIFAMILY HOUSING PROJECT AND RELATED ACTIONS

WHEREAS, the Housing Authority of the County of Los Angeles (the "Authority") is authorized and empowered by the provisions of Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act") to issue and sell mortgage revenue bonds or notes as part of a plan of financing for the purpose of making loans or otherwise providing funds to finance the acquisition, construction, rehabilitation and development of multifamily residential rental housing projects, including units for households meeting the income limits set forth in the Act; and

WHEREAS, Sun Sage Homes, L.P., (or an affiliate or assign thereof) (the "Borrower"), has requested that the Authority issue and sell its mortgage revenue bonds pursuant to the Act to provide financing (including reimbursement of Borrower's expenditures) for the acquisition, construction, development and rehabilitation of a scattered-site multifamily rental housing development consisting of 71 units located at 11128 South Osage Avenue in unincorporated Lennox and 10800 Laurel Avenue located in unincorporated South Whittier in Los Angeles County (the "Project"); and

WHEREAS, this Board of Commissioners of the Authority (the "Board") hereby finds and declares that it is necessary, essential and a public purpose for the Authority to finance multifamily housing projects pursuant to the Act, in order to increase the supply of multifamily housing in Los Angeles County available to persons and families within the income limitations established by the Act; and

WHEREAS, as an inducement to the Borrower to carry out the Project, this Board desires to adopt this resolution (this "Resolution") and to authorize the issuance of mortgage revenue bonds by the Authority to finance the Project (the "Bonds") in a principal amount not to exceed \$9,450,000; and

WHEREAS, the Authority, in the course of assisting the Borrower in the financing of the Project expects that the Borrower has paid or may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Project within 60 days prior to the adoption of this Resolution and may incur additional Reimbursement Expenditures within 60 days prior to the adoption of this Resolution and prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, Section 1.142-4 and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986 limits the amount of multifamily housing mortgage revenue bonds that may be issued in any calendar year by entities within a state and authorizes the governor or the legislature of a state to provide the method of allocation within the state; and

WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the Government Code of the State of California (the "Government Code") governs the allocation of the state ceiling among governmental units in the State of California having the authority to issue multifamily housing mortgage revenue bonds; and

WHEREAS, Section 8869.85 of the Government Code requires a local agency to file an application with the California Debt Limit Allocation Committee ("CDLAC") prior to the issuance of multifamily housing mortgage revenue bonds; and

WHEREAS, this Board hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The above recitals, and each of them, are true and correct.
2. This Board hereby determines that it is necessary and desirable to provide a plan of financing for the Project by the issuance and sale of mortgage revenue bonds or notes (herein "Bonds") pursuant to the Act and hereby authorizes the issuance and sale of the Bonds in one or more series from time to time by the Authority in aggregate principal amounts not to exceed \$9,450,000. This action is taken expressly for the purpose of inducing the Borrower to undertake the Project, provided that nothing contained herein shall be construed to signify that the Project complies with the planning, zoning, subdivision and building laws and ordinances applicable thereto or to suggest that the Authority or any officer, agent or employee of the Authority will grant any approval, consent or permit which may be required in connection with the acquisition and construction or rehabilitation of the Project or the issuance of the Bonds.
3. The issuance and sale of the bonds shall be upon such terms and conditions as may be agreed upon by the Authority and the Borrower and the initial purchasers of the Bonds; provided, however, that the Bonds shall not be sold or issued unless specifically authorized by the subsequent resolution of this Board.
4. This Resolution is being adopted by the Authority for purposes of establishing compliance with the requirements of Section 1.142-4 and Section 1.150-2 of the Treasury Regulations. In that regard, the Authority hereby declares its official intent to use proceeds of indebtedness to reimburse the Reimbursement Expenditures. Notwithstanding the foregoing, this resolution does not bind the Authority to make any expenditure, incur any indebtedness, or proceed with the Project.

5. The proper officers of the Authority are hereby authorized to file an application with CDLAC and directed to apply to CDLAC for a private activity bond allocation for application by the Authority to the issuance the Bonds in one or more series from time to time for the Project in an amount not to exceed \$9,450,000, to collect from the Borrower an amount equal to the performance deposit required by CDLAC and to certify to CDLAC that such amount has been placed on deposit in an account in a financial institution.

6. The proper officers of the Authority are hereby authorized and directed to take whatever further action relating to the aforesaid financial assistance may be deemed reasonable and desirable provided that the terms and conditions under which the Bonds are to be issued and sold shall be approved by this Board in the manner provided by law prior to the sale thereof.

7. This Resolution shall take effect immediately upon its adoption.

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PASSED AND ADOPTED by the Board of Commissioners of the Housing Authority of the County of Los Angeles, State of California, this 10th day of May, 2016, by the following vote:

AYES: Supervisors Solis, Ridley-Thomas, Kuehl, Knabe and Antonovich

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

By: Hilda F. Solis
Chair of the Board of Commissioners

ATTEST:

LORI GLASGOW
Executive Officer
Clerk of the Board of Commissioners

By: Danya Ruiz
Deputy



APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By: Behrooz Jashaker
Deputy